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SEP 20 2005

COUNCILMEMBER
DONNA FRYE

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September 20, 2005

Councilmember Donna Frye
City of San Diego
Sixth District
202 C Street
San Diego, CA 92101

Re: Your request of August 31, 2005

Dear Councilmember Frye:

On August 31, 2005, you sent a memorandum request to SDCERS Board of Trustees, City Manager Lamont Ewell, and Michael Aguirre requesting information regarding consultants hired by SCERS and the City. We are providing the following answers to the questions that relate to SDCERS:

4. *Did SDCERS hire Mercer in 2004 to do an audit of the retirement system?*

Yes, SDCERS hired Mercer Investment Consulting, Inc. and Mercer Human Resources Consulting, Inc. in 2004 to perform Actuarial, Investment, Operations, and Best Practices audits.

5. *Did SDCERS hire Mercer to provide strategic workshops, and did SDCERS hire Mercer (and Bob Blum as an employee of Mercer) to provide tax advice, among other things, from approximately 1992 to 2001?*

SDCERS hired Mercer to provide tax consulting services and advice relating to federal and state tax regulations, as well as to assist with strategic planning.

6. *Did SDCERS recently sue Bob Blum for malpractice? If so when, and what is the status of that litigation?*

SDCERS filed a complaint for malpractice in San Diego Superior court (Case number GIC831983) on June 25, 2004. The litigation has since been settled.

9. *Did SDCERS recently hire Navigant Consulting in August 2005 to perform an investigation of the pension?*

At the August 19, 2005 meeting, the Board approved retention of Navigant Consulting, Inc. Navigant will be retained through outside fiduciary counsel Reish, Lutman, Reicher & Cohen.

Sincerely,



Roxanne Story Parks
Assistant General Counsel

RSP:dmc

cc: Honorable Deputy Mayor Toni Atkins
San Diego City Councilmembers
SDCERS Board of Trustees
Lawrence Grissom, Retirement Administrator
Loraine Chapin, General Counsel
P. Lamont Ewell, City Manager
Michael Aguirre, City Attorney

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OFFICE OF
THE CITY ATTORNEY
CITY OF SAN DIEGO

MEMORANDUM

(619) 533-5800

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*Attorney to
Client Correspondence
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SEP - 7 2005

**COUNCILMEMBER
DONNA FRYE**

DATE: September 7, 2005
TO: Councilmember Donna Frye
FROM: Don McGrath, Executive Assistant City Attorney
SUBJECT: City Pension Investigation

Per your ten (10) questions posed to our office in your memorandum dated August 31, 2005, please find our responses below.

1. Does Marsh McLennan own Mercer?

Yes.

2. Does Marsh McLennan own Kroll?

Yes.

3. Has the City of San Diego purchased any insurance products from Marsh McLennan in the past 10 years? Yes, per Mike M.

Yes, per Michael McGuinness, Specialist Litigation Chief, who has some familiarity with McLennan.

4. Did SDCERS hire Mercer in 2004 to do an audit of the retirement system?

I believe so.

5. Did SDCERS hire Mercer to provide strategic workshops, and did SDCERS hire Mercer (and Bob Blum as employee of Mercer) to provide tax advice, among other things, from approximately 1992 to 2001?

I believe so.

6. Did SDCERS recently sue Bob Blum for malpractice? If so, when, and what is the status of that litigation?

Yes. The case was filed on June 25, 2004, and it was settled on April 15, 2005. The Notice of Entry determining good faith settlement is dated June 20, 2005. *(See Tab #1)*

Mr. Blum paid \$14,631,000.00 in settlement to S.D.C.E.R.S.; not the City of San Diego.

7. Did Kroll sell Kroll Lindquist Avey to Navigant Consulting on August 10, 2005?

Yes, according to the following Internet link to Kroll's website.
<http://www.krollworldwide.com/news/releases/index.asp?id=11830>

Also, see attached printout from their website. *(See Tab #2)*

8. What is the relationship, if any, between Marsh McLennan and Navigant?

Michael McGuinness, Specialist Litigation Chief, who has some familiarity with McLennan, is not aware of any relationship between McLennan and Navigant.

(Per Mike, Navigant is a very large forensic accounting firm. Navigant was hired by S.D.C.E.R.S. to look back at their funding decisions.)

9. Did SDCERS recently hire Navigant Consulting in August 2005 to perform an investigation of the pension?

Yes.

10. What is the name of the outside law firm that the City Manager is considering hiring to work with the SEC?

Morgan, Bacias, Lewis. Mr. Aguirre objected saying his office could do the job. The Manager would not agree and hired Morgan, Bacias, and Lewis saying Council told him to.

MICHAEL J. AGUIRRE, City Attorney

By

Don McGrath

Executive Assistant City Attorney

DM: cf